
FISCAL UPDATE Article

Fiscal Services Division

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CHILD CARE FORECASTING GROUP — MARCH 2018

Forecasting Group. Staff from the Department of Management (DOM), the Department of Human Services (DHS), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on March 23, 2018, to discuss the Child Care Assistance (CCA) Program estimated FY 2018 and FY 2019 expenditures. The Forecasting group is established in Iowa Code section [234.47](#) to discuss revenues and expenditures and agree on an estimate for the current and upcoming fiscal years.

The [Child Care Assistance Program](#) provides subsidized child care for low-income families with working parents, parents gaining work skills, parents going to school, and parents unable to care for children for a limited time due to physical or mental illness. The table on the following page is the current projected balance sheet.

Fiscal Year 2018. The estimated FY 2018 General Fund appropriation is an increase of \$7.6 million compared to actual FY 2017 ([HF 653](#) – FY 2018 Health and Human Services Appropriations Act). The current consensus agreement for FY 2018 is an estimated need of \$6.4 million, due to the following reasons:

- The enacted appropriation was \$4.3 million below the March 2017 estimated need for the Program.
- Fiscal Year 2017 ended with approximately \$400,000 less in surplus than anticipated.
- Program growth experienced and anticipated in the current year totals \$1.7 million.

The appropriation also includes the following language:

If the appropriations made for purposes of the state child care assistance program for the fiscal year are determined to be insufficient, it is the intent of the general assembly to appropriate sufficient funding for the fiscal year in order to avoid establishment of waiting list requirements.

In light of this language, the DHS has avoided establishing a waiting list. According to the [National Women's Law Center](#), 20 states currently have a waiting list or frozen intake. The Governor recommended a supplemental Temporary Assistance for Needy Families appropriation of \$5.7 million. Enacting this supplemental appropriation would bring the program to a forecasted need of \$641,000.

Fiscal Year 2019. The consensus estimated need for FY 2019 is \$14.1 million. This amount is based on the current General Fund and Temporary Assistance for Needy Families appropriations for FY 2018. Compared to the Governor's FY 2019 budget recommendation, the Program's estimated need totals \$1.4 million. The observed caseload growth and cost-per-child trends in FY 2018 are projected to extend into FY 2019, although children eligible under protective services are forecasted to remain steady.

Child Care Assistance Estimated Budget

	<u>Actual FY 2017</u>	<u>Projected FY 2018</u>	<u>Projected FY 2019</u>
Revenues			
Funds Carried Forward	\$ 4,073,334	\$ 1,063,700	\$ 500,000
State General Fund Appropriation	31,722,450	39,343,616	39,343,616
Temporary Assistance for Needy Families	49,866,826	47,866,826	47,866,826
Child Care Development Fund	49,753,801	49,939,036	50,283,434
Special Grant Funds	85,944	19,371	0
Total Revenues	<u>\$ 135,502,355</u>	<u>\$ 138,232,549</u>	<u>\$ 137,993,876</u>
Expenditures			
Total Child Care Assistance	\$ 110,766,672	\$ 119,239,128	\$ 123,566,813
Child Care Management Information System	571,558	489,849	643,123
Quality Rating System	1,119,820	1,345,932	1,367,729
Quality Activities & Other	5,620,408	5,831,776	7,901,601
Resource and Referral (Fed & State)	2,741,668	3,775,884	3,872,608
Early Childhood Iowa Grants	6,350,000	5,850,000	5,850,000
Legal Services, Printing, & Postage	264,796	280,109	291,908
General Administrative Costs	1,637,191	1,740,397	1,919,854
Field Operations	5,280,598	5,741,610	6,212,801
Special Grant Funds	85,944	19,371	0
Expenses transferred to CC Facility Fund	0	-222,918	0
Carryforward for Federal Fiscal Year	1,063,700	500,000	500,000
Total Expenditures	<u>\$ 135,502,355</u>	<u>\$ 144,591,138</u>	<u>\$ 152,126,437</u>
Surplus / -Need		<u><u>\$ -6,358,589</u></u>	<u><u>\$ -14,132,561</u></u>

Federal Budget Enactment. The federal budget for FFY 2018 was enacted on Friday, March 23, 2018. The budget includes a total increase of \$5.226 billion for the Child Care and Development Block Grant, an increase of \$2.370 billion (83.0%) over FFY 2017. At this time, there are no additional details for how the increase will be distributed among states, what policy strings and requirements will be associated with the funding, and if this increase will be one-time or a new baseline funding level. The additional funding could also impact the DHS waiver regarding the CCA Plus exit eligibility segment that seeks to have a 12-month eligibility limit rather than the federal requirement for perpetual funding as long as the family is below the exit eligibility ceiling.

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